Section references are to the Internal Revenue Code unless otherwise noted.

What’s New

Form 1099-R

Account closure. Instructions for reporting a distribution as a result of an account closure have been added to the discussion of an IRA revocation on page R-2.

Permissive service credit. The discussion under Transfers on page R-4 has been revised to include the purchase of permissive service credits.

Disclaimer of an IRA account balance. Revenue Ruling 2005-36 provides for the qualified disclaimer of all or some of an IRA account balance under certain conditions. See Disclaimers on page R-3.

Certain Roth IRA conversions. Regulations section 1.408A-4T discusses how to determine the fair market value of an individual retirement annuity described in section 408(b) that is converted to a Roth IRA. See Roth IRA conversion on page R-2.

Box 2a. Taxable amount. Reporting instructions have been changed for distributions under section 408(d)(5). See the instructions on page R-6.

Designated Roth account distributions. Section 402A, which added insurance contracts, charitable gift annuities, etc., was added by the Economic Growth and Tax Relief Reconciliation Act of 2001, provides that a participant in a section 401(k) or 403(b) plan that includes a Roth contribution program may elect to make designated Roth account contributions to the plan. Designated Roth account contributions are reported on the participant’s Form W-2.

Designated Roth account distributions are reported separately to the recipient. A new distribution code has been added to report these distributions. Code B: Designated Roth account distribution. Other rules relating to designated Roth accounts have been added throughout the instructions as applicable.

Also, the form requires the trustee to report the first year of the designated Roth account contribution and the basis of the designated Roth account distribution. Note that the instructions to the recipient have been expanded, and appear on the back of Copy 2 as well as on the backs of Copies B and C. See Proposed Regulations sections 1.402A-2(1), 1.402A-1, 1.402A-2, 1.403(b)-2, 1.403(b)-3, and 1.403(b)-7.

Guide to Distribution Codes. Distribution codes 1 and 2 have been revised for withdrawals by qualified reservists and certain combat zones.

Corrected and void return of an IRA revocation on page R-2.

Illegal distributions. Payments made from a retirement or profit-sharing plan. See box 1 on page R-6.

Penalties. For information on the penalty applicable to distributions made from a retirement plan prior to age 59 1/2, see Special reporting for U.S. Armed Forces in designated combat zones.

In addition, see Section 409A nonqualified deferred compensation plans including governmental section 457(b) plans on page R-2, not Form W-2, income tax withholding and distributions from a retirement or profit-sharing plan.

Military retirement annuities. Report any reportable distributions from a retirement or profit-sharing plan. See box 1 on page R-6.

Nonqualified plans. Report any reportable distributions from commercial annuities. Report distributions to employee plan participants from section 403(b)-7. See box 1 on page R-6.

Charitable gift annuities. If cash or capital gain property is donated in exchange for a charitable gift annuity, report

Reminders

In addition, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G for information on:

- Backup withholding
- Electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS website at www.irs.gov and page R-13 for Form 5498, Distributions From Pensions, Annuities, etc., for each person to whom you have made a designated distribution or are treated as having made a distribution of $10 or more from profit-sharing or retirement plans, any IRAs, annuities, pensions, insurance contracts, survivor income, benefits, and life insurance contracts.

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2006

Instructions for Forms 1099-R and 5498

(Rev. October 2006)
distributions from the annuity on Form 1099-R. See Charitable gift on page R-2.

Life insurance, annuity, and endowment contracts. Report payments of matured or redeemed annuity, endowment, and life insurance contracts. However, you do not need to file Form 1099-R to report the surrender of a life insurance contract if it is reasonable to believe that none of the payment is includible in the income of the recipient. If you are reporting the surrender of a life insurance contract, see Code 7 on page R-10.

Also report proceeds paid by a trustee or custodian for the cost of current life or other insurance protection. Costs of current life insurance protection are not subject to the 10% additional tax under section 72(t). See Cost of current life insurance protection on page R-6.

Section 1035 exchange. A tax-free section 1035 exchange is the exchange of (a) a life insurance contract for another life insurance, endowment, or annuity contract, (b) an endowment contract for an annuity contract or for another endowment contract that provides for regular payments to begin no later than 1 year from the date of the exchange, and (c) an annuity contract for another annuity contract. However, the distribution of other property or the cancellation of a contract loan on the exchange may be taxable and reportable on a separate Form 1099-R.

These exchanges of contracts are generally reportable on Form 1099-R, but they are not reportable if (a) the exchange occurs within the same company, (b) the exchange is solely a transfer for contract exchange, as defined above, that does not result in a designated distribution, and (c) the company maintains adequate records of the policyholder’s basis in the contracts. For example, a life insurance contract issued by Company X received in exchange solely for another life insurance contract previously issued by Company X does not have to be reported on Form 1099-R as long as the exchange complies with the required records. See Rev. Proc. 92-26, 1992-1 C.B. 744.

For more information on reporting taxable exchanges, see box 1 on page R-6.

Designated Roth Account Distributions
An employer offering a section 401(k) or 403(b) plan may allow participants to contribute all or a portion of the elective deferrals from such a plan to a designated Roth account established under the plan. Contributions made under a 401(k) plan must meet the requirements of Regulations section 1.401(k)-1(f). (Proposed Regulations section 1.403(b)-1 for a 403(b) plan). Under the terms of the 401(k) plan, section 403(b) plan, or designated Roth account, the Roth IRA must account for the gross distribution in box 1. If no earnings are applicable, enter 0 (zero) in box 2a. For a traditional IRA, enter Code 1 and 8, if applicable, in box 7; for a Roth IRA, enter Codes J and 8, if applicable. These earnings could be subject to the 10% early distribution tax under section 72(t). See Roth IRA contributions, SEP IRA, or SIMPLE IRA contribution, if that is subsequently revoked or closed by the trustee or custodian.

If a regulated IRA is revoked during its first 7 days (under Regulations section 1.408(d)-3(4)(ii)) or is closed at any time by the IRA trustee or custodian due to a failure of the taxpayer to satisfy the Customer Identification Program requirements described in section 326 of the U.S. Patriot Act, the distribution must be reported on a separate Form 1099-R. Roth IRA Revocation or Account Closure

For deemed IRAs under section 408(g), use the rules that apply to traditional IRAs or Roth IRAs as applicable. SEP IRAs and SIMPLE IRAs, however, may not be used as deemed IRAs.

Deemed IRAs. A qualified employer plan may allow employees to contribute to a separate account or an annuity established under the plan. Under the terms of the qualified employer plan, the account or annuity must meet the applicable requirements of section 408 or 408A for Roth IRA. Under the term "deemed IRA" portion of the qualified employer plan is subject to the rules applicable to traditional and Roth IRAs, and not to those of the segregated plan under section 401(a), 403(a), 403(b), or 457.

Accordingly, the reporting and withholding rules on plan and IRA distributions apply to deemed IRA distributions. Deferred compensation plans may be reportable on a separate Form 1099-R. Roth IRA distributions are reportable on Form 1099-R. An IRA that later is revoked or closed, and distribution is made to the taxpayer, enter the gross distribution in box 1. If no earnings are distributed, enter 0 (zero) in box 2a. For a Roth IRA, enter Codes J and 8, if applicable. These earnings could be subject to the 10% early distribution tax under section 72(t). If a rollover contribution is made to a traditional or Roth IRA, enter Codes J and 8, if applicable. These earnings could be subject to the 10% early distribution tax under section 72(t). If an IRA contribution conversion is made to a Roth IRA that later is revoked or closed, and distribution is made to the taxpayer, enter the gross distribution in box 1 of Form 1099-R. If no earnings are distributed, enter 0 (zero) in box 2a and Code J in box 7. If an rollover contribution is made to a Roth IRA, enter Codes J and 8, if applicable. These earnings could be subject to the 10% early distribution tax under section 72(t).

If an employer SEP (simplified employee pension) IRA or SIMPLE (savings incentive match plan for employees) IRA plan contribution is made, enter the cost of current life or other insurance protection paid by a trustee or custodian, report the distribution as fully taxable. For more information on IRAs that have been revoked, see Rev. Proc. 91-70, 1991-2 C.B. 899.
DECs, a separate Form 1099-R is not required to report the direct rollover of the DECs.

### Direct Rollovers

You must report a direct rollover of an eligible rollover distribution. A direct rollover is the direct payment of the distribution (including a qualified plan (including a governmental section 457(b) plan) or 403(b) plan) to a traditional IRA or other eligible retirement plan. For additional rules regarding the treatment of direct rollovers from designated Roth accounts, see Designated Roth accounts below. A direct rollover may be made for the employee, for the employee’s surviving spouse, or for the spouse or former spouse who is an alternate payee under a qualified domestic relations order (QDRO), if the distribution is paid to the surviving spouse, the distribution is treated in the same manner as if the spouse were the employee.

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the employee (including net of any applicable tax (NUA)) from a qualified plan (including a governmental section 457(b) plan) or a 403(b) plan except:

1. One of a series of substantially equal periodic payments made at least annually over:
   - The life of the employee or the joint lives of the employee and the employee’s designated beneficiary.
   - The life expectancy of the employee or the joint life and survivor expectancy of the employee and the employee’s designated beneficiary, or
   - 5 years or more.
2. A required minimum distribution (under section 401(a)(9)). A plan administrator is permitted to assume there is no designated beneficiary for purposes of determining the minimum distribution.
3. An In-service withdrawal (under section 402(g)(3)) and earnings returned because of the section 415 limits.
4. Corrective distributions of excess deferrals (under section 402(g)) and excess aggregate contributions (under section 401(m))
5. Loans (under section 72(b)). But plan loan offset amounts can be eligible rollover distributions. See Regulations section 1.402(g)-2, Q-A-9.
6. Section 404(k) dividends.
7. Cost of current life insurance protection.
8. Distributions to a payee other than the employee’s surviving spouse, or a spouse or former spouse who is an alternate payee under a QDRO.

Amounts paid under an annuity contract purchased for and distributed to a participant under a qualified plan can qualify as eligible rollover distributions. See Regulations section 1.402(c)-2, Q-A-10.

### Automatic Rollovers

Eligible rollover distributions may also include involuntary distributions that are more than $1,000 but $5,000 or less and are made from a qualified plan to an IRA on behalf of a plan participant. Involuntary distributions made on or after March 28, 2005, are generally subject to the automatic rollover provisions of section 401(a)(31)(B) and must be paid in a direct rollover to an IRA. For information on the notification requirements, see Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice) below. For additional information, also see Notice 2005-5 which is available on page 357 of Internal Revenue Bulletin 2005-3 at www.irs.gov/pub/irs-irbs/irb05-03.pdf.

Any part of an eligible rollover distribution that is not a direct rollover is subject to 20% income tax withholding. See box 4 on page R-7.

### Reporting a direct rollover

Report a direct rollover in box 1 and a 0 (zero) in box 2a. You do not have to report capital gain in box 3 or NUA in box 6. Enter Code G in box 7. Prepare the form using the name and SSN of the person to whom the funds were distributed. The form must be signed by the person who received the funds. Also, use Code G with Code 4 for a surviving spouse who elects a direct rollover to an IRA or a qualified plan. Enter the form using the name and SSN of the surviving spouse.

If you receive a direct rollover to an IRA, you must prepare Form 5498. If you receive a direct rollover to a qualified plan (including a governmental section 457(b) plan) or 403(b) plan, no report is required.

If the part of the distribution is a direct rollover and part is distributed to the recipient, prepare two Forms 1099-R. For more information on eligible rollover distributions, see Regulations sections 1.402(c)-2 and 1.403(b)-2. Also, see Rev. Rul. 2002-62 which is on page 710 of Internal Revenue Bulletin 2002-42. For more information on substantially equal periodic payments, see section 408(a) and 1.408(a)-1.

### Designated Roth accounts

A direct rollover from a designated Roth account under a qualified cash or deferred arrangement is not reportable to an employee, the employee’s surviving spouse, or a spouse or former spouse who is an alternate payee under a QDRO. A direct rollover from a designated Roth account under an applicable retirement plan described in section 402(a)(1) (or to a Roth IRA described in section 408A, and only to the extent the direct rollover is permitted under the rules of section 402(c). A distribution from a Roth IRA, however, cannot be rolled over into a designated Roth account. In addition, a plan is permitted to treat the balance of the participant’s designated Roth account and the participant’s other accounts under the plan as accounts held under two separate plans for purposes of applying Q-A-1 of Regulations section 1.401(a)(31)-1. Thus, if a participant’s balance in the designated Roth account is less than $200, the plan is not required to treat a direct rollover election to apply the automatic rollover provisions to such balance.

### Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice)

For qualified plans, tax-sheltered annuities, and governmental section 457(b) plans, no more than 90 days and no fewer than 30 days before the date an eligible rollover distribution (or before the annuity starting date), the plan administrator must provide a written explanation to each recipient (section 402(f) notice). However, if the recipient who has received the section 402(f) notice affirmatively elects a distribution, you will not fail to satisfy the timing requirements merely because you make the distribution fewer than 30 days after you provided the notice as long as you meet the requirements of Regulations section 1.402(f)-1, Q-A-2. You may provide the section 402(f) notice more than 90 days before a distribution if you also provide a summary of the notice during the 90-day/30-day period before the distribution.

The notice must explain the rollover rules, the special tax treatment for lump-sum distributions, the direct rollover option (and any default procedures), the mandatory 20% withholding rules, and an explanation of how distributions from the plan to which the rollover is made may have different restrictions and tax consequences than the plan from which the rollover is made. The notice and summary are permitted to be sent either as a written paper document or through an electronic medium reasonably accessible to the recipient; see Regulations section 1.402(f)-1, Q-A-5.

For periodic payments that are eligible rollover distributions, you must provide the notice before the first payment and at least once a year as long as the payments continue. For tax-sheltered annuities, the payer must make an explanation of the direct rollover option within the time period described above or some other reasonable period of time.

Notice 2002-3, which is on page 289 of Internal Revenue Bulletin 2002-2 and available at www.irs.gov/pub/irs-irbs/irb02-02.pdf, contains model notices that the plan administrator can use to satisfy the notice requirements.

Notice 2002-3 has not yet been updated for requirements related to plans that accept designated Roth account contributions. For distributions from designated Roth accounts, the section 402(f) notice must

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Excess contributions.

The notification requirement of section 401(a)(31)(B)(i) either separately or as a part of the section 402(f) notice. The see: the
2a, enter the excess and earnings distributed less any after-tax
Corrective Distributions
Transfers
Generally, do not report transfers between trustees or issuers (unless they are direct rollovers from qualified plans) that involve no payment or distribution of funds to the participant, including a trustee-to-trustee transfer from one IRA to another (unless they are recharacterized IRA contributions or Roth IRA contributions) or as a rollover (a one-tax-sheltered rollover) to another, or for the purchase of permissible service credit under section 403(b)(15) or 457(e)(17).

IRA distributions.

You may have to report exchanges security and Medicare taxes. But amounts distributed from a of insurance contracts, ... may be made. income tax withholding under section 3405.For a section 1035 exchange that is in part taxable, file a

SIMPLE IRAs.

Do not report a trustee-to-trustee transfer from one SIMPLE IRA to another SIMPLE IRA. However, you must report as a taxable distribution in boxes 1 and 2a a trustee-to-trustee transfer from a SIMPLE IRA to an IRA that is not a SIMPLE IRA during the 2-year period beginning on the day contributions are first deposited in the individual's SIMPLE IRA by the employer. Use Code S in box 7 if appropriate.

Section 1035 exchange.

You may have to report exchanges of insurance contracts, including an exchange under section 1035, under which any designated distribution may be made. For a section 1035 exchange that is in part taxable, file a separate Form 1099-R to report the taxable amount. See Section 1035 exchange on page R-2.

Transfer of an IRA to spouse.

If you transfer or re-designate aggregate contributions plus earnings within 2 1/2 months after an interest from one SIMPLE IRA to another SIMPLE IRA. However, you must report as a taxable distribution in boxes 1 and 2a a trustee-to-trustee transfer from a SIMPLE IRA to an IRA that is not a SIMPLE IRA during the 2-year period beginning on the day contributions are first deposited in the individual's SIMPLE IRA by the employer. Use Code S in box 7 if appropriate.

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You may have to report exchanges of insurance contracts, including an exchange under section 1035, under which any designated distribution may be made. For a section 1035 exchange that is in part taxable, file a separate Form 1099-R to report the taxable amount. See Section 1035 exchange on page R-2.

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Section 1035 exchange.

You may have to report exchanges of insurance contracts, including an exchange under section 1035, under which any designated distribution may be made. For a section 1035 exchange that is in part taxable, file a separate Form 1099-R to report the taxable amount. See Section 1035 exchange on page R-2.
Excess Annual Additions Under Section 415

You must report on Form 1099-R distributions made under Section 415(d) of a defined contribution plan (other than a governmental 457(b) plan) or a defined benefit plan as excess annual additions to the extent that the benefits attributable to such additions exceed the annual limits. The table under section 415(d)(4)(IV) of a plan must include the excess additions for each individual under the plan. The plan must provide a procedure by which the participant may reduce the amount of additions to the extent that they are in excess of the annual limits.

In the case of qualified terminated plan distributions, you must report excess annual additions on Form 1099-R. The excess annual additions must be treated as a deemed distribution for all tax purposes.

Missing Participants

If you have received a distribution from a qualified retirement plan and you have no information to identify the recipient, you may report the distribution on Form 1099-R by completing the section for the recipient identified as "Missing Participant." If you are unable to locate the recipient and the distribution is a rollover, you may report the distribution to the fiduciary of the plan that received the rollover.

Deemed distribution.

If a loan is treated as a deemed distribution, it is reportable on Form 1099-R using the normal distribution rules, including any gain or loss on the deemed distribution. However, the distribution is not subject to income tax withholding.

Certain Excess Amounts Under 403(b) Plans

For a deemed distribution that was reported on Form 1099-R, if the plan administrator makes a corrective distribution under the Employee Plans Compliance Resolution System (EPCRS) procedures, you may report the distribution on Form 1099-R.

Corrected Form 1099-R

If you paid a Form 1099-R for 2006 and later discover that there is an error on it, you must correct it as soon as possible. For example, if you transmit a direct rollover and file a Form 1099-R with the IRS reporting that none of the direct rollover is taxable by entering 0 (zero) in box 2a, and you then discover that the direct rollover did not qualify for such treatment, you must file a corrected Form 1099-R. You must also issue corrected Forms 1099-R to the plan electronic participant with an explanation of why these new forms are being issued.

Loans Treated as Distributions

A loan from a qualified plan under sections 401 and 403(a) and (b) is not treated as a distribution from the plan if the loan satisfies the following requirements:

1. The loan is evidenced by an enforceable agreement, and the amount must be repaid within 5 years, except for a principal residence.
2. The loan must be repaid in substantially equal installments (at least quarterly), and the loan amount does not exceed the limits in section 72(f)(5) (not to exceed the lesser of 50% of the vested account balance or $50,000).

Certain exceptions, cure periods, and suspension of the repayment schedule may apply.

The loan agreement must specify the amount of the loan, the term of the loan, and the repayment schedule. The agreement may include more than one document.

If a loan fails to satisfy 1, 2, or 3, the balance of the loan is deemed a distribution. The distribution may occur at the time the loan is made or later if the loan is not repaid in accordance with the repayment schedule.

Deemed distribution.

If a loan is treated as a deemed distribution, it is reportable on Form 1099-R using the normal distribution rules, including any gain or loss on the deemed distribution. However, such repayments are not treated as after-tax contributions for purposes of section 401(m) or 415(c)(2)(B).

Certain exceptions, cure periods, and suspension of the repayment schedule may apply.

Alternate Payee Under a Qualified Domestic Relations Order (QDRO)

Distributions to an alternate payee who is a spouse or former spouse of the employee under a QDRO are reportable on Form 1099-R if the name and TIN of the alternate payee is not included in the box. If the alternate payee is not included in the box, enter the name and TIN of the employee. However, this rule does not apply to IRAs; see Transfer of an IRA to a nonresident alien, report the distribution and withholding on Form 1099-R using Form 494 to report the withholding. See the Presumption Rules in part S of the 2006 General Instructions for Form R-6.

Statements to Recipients

If you are required to file Form 1099-R, you must furnish a statement to the recipient. The statement should contain information about the requirement to furnish a statement to each recipient, see part M in the 2006 General Instructions for Form 1099, 1098, 5498, and W-2G.

Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-R. Additionally, the IRS encourages you to designate an account number for all Forms 1099-R that you file. See part L in the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Box 1. Gross Distribution

Enter the total amount of the distribution before income tax or other deductions were withheld. Include direct rollovers, IRA rollovers to accepting employer plans, premiums paid by a trusteed IRA to a nonresident alien, report the distribution and withholding on Form 1099-R. Do not report accelerated death benefits on Form 1099-R. Include current life insurance protection costs (net premium ... 1099-R. Additionally, the IRS encourages you to designate an account number for all Forms 1099-R that you file. See part M in the 2006 General Instructions for Form R-6.

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Box 2a. Taxable Amount

Generally, you must enter the taxable amount in box 2a. The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.

Alternatively, the IRS encourages you to designate an account number for all Forms 1099-R that you file. See part M in the 2006 General Instructions for Form R-6.

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Incurred Life Insurance Protection Costs

If you are required to file Form 1099-R, you must furnish a statement to the recipient. The statement should contain information about the requirement to furnish a statement to each recipient, see part M in the 2006 General Instructions for Form R-6.

Box 2a. Taxable Amount

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Page 7 of 15 Instructions for Forms 1099-R and 5498

However, for a distribution by a trust representing CDs redeemed early, report the net amount distributed. Do not include any amount paid for IRA insurance protection in this box.

Report the gross distribution in box 1, only the earnings in box 2a, and any unrecaptured section 1250 gain. Report in box 5 any nontaxable amount. Enter Code F in box 7. See Regulations section 1.408(d)(5) of the Economic Growth and Tax Relief Reconciliation Act of 2001. Enter the full amount eligible for the capital gain election. You should not complete this box for a direct rollover.

To compute the months of an employee’s active participation before 1974, count as 12 months any part of a calendar year in which an employee has active participation for collectibles (zero) in box 2a, and Code G in box 7.

Step 1. Total Taxable Amount

A. Total distribution XXXXX

B. Less:

1. Current actuarial value of any annuity XXXX

2. Employee contributions or designated Roth contributions (minus any amounts previously distributed that were not includable in the employee’s gross income) XXXX

3. Net unrealized appreciation in the value of employer securities that was a part of the lump-sum distribution XXXX

C. Total of lines 1 through 3 XXXX

D. Total taxable amount. Subtract line C from line A. XXXX

Step 2. Capital Gain

Total capital gain Line D X Months of active participation before 1974 = Capital gain

Total months of active participation

Box 4. Federal Income Tax Withheld

Enter any federal income tax withheld. This withholding under section 3406 is subject to deposit rules and the withholding tax return is Form 945. Backup withholding does not apply. See Pub. 15-A, Employer’s Supplemental Tax Guide, and the Instructions for Form 945 for more withholding information.

Even though you may be using Code 1 in box 7 to designate an early distribution subject to the 10% additional tax specified in section 72(q), (t), or (v), you are not required to withhold that tax.
The amount withheld cannot be more than the sum of the amounts withheld for any IRA, SEP IRA, or SIMPLE IRA. For periodic payments and under section 408(d)(4), you must also enter Code 1, if it is not a direct rollover distribution. If an eligible rollover distribution is paid directly to an IRA, do not include contributions to any DEC, rollover distribution is not paid directly to the IRA. Do not include contributions to a non-IRA. If you made periodic payments from a qualified plan and the annuity starting date is after November 16, 1996, you may use the simplified method to figure the tax-free portion of the distribution. See Section 1.72-14 of the regulations. If a total distribution is made, the total employee amounts included in the income of the employee when contributed is not required for an eligible rollover distribution because 20% withholding is mandatory. However, the actual amount to be withheld cannot be more than the sum of the cash and the FMV of property (excluding employer securities and plan loan offset amounts). For example, if the only part of an eligible rollover distribution that is subject to 20% withholding is an annuity starting date in 1998 or later, the IRS will use the codes to help determine the withholding. See Circular E, Employer's Tax Guide (Pub. 15), for wage withholding tables.

Withhold 10% of the taxable part. If periodic payments began before 1993, you are not required to withhold 20% if the recipient has already paid the recipient as married with three withholding allowances. Enter the employee's contributions to a profit-sharing or retirement plan, designated Roth account contributions, or insurance premiums that the employee may recover tax free this year. The entry in box 5 may include any of the following: (a) designated Roth account contributions or contributions actually made by the employee over the years under the retirement or profit-sharing plan that were required to be included in the income of the employee when contributed (after-tax contributions), (b) contributions made by the employer but considered to have been contributed by the employee under section 72(t), (c) the accumulated cost of premiums paid for life insurance protection taxable to the employee in previous years and in the current year under Regulations section 1.72-16 (cost of current life insurance protection) (only if the life insurance contract itself is distributed), and (d) premiums paid on commercial annuities. Also report after-tax contributions directly rolled over into an IRA. Do not include contributions to any DEC (401(k)) plan, or any other contribution to a retirement plan that was not after-tax contribution.

Generally, for qualified plans, tax-sheltered annuities, and nonqualified commercial annuities, enter in box 5 the employee contributions to a profit-sharing or retirement plan that were required to be included in the income of the employee when contributed (after-tax contributions). See Circular E, Employer's Tax Guide (Pub. 15), for wage withholding tables.

Failure to provide TIN. If periodic payments and nonperiodic distributions, if a payee fails to furnish his or her TIN to you in the manner required, or if the IRS notifies you before any distribution that the TIN furnished is incorrect, a payee cannot claim exemption from withholding. For periodic payments, withhold as if the payee was single claiming no withholding allowances. For nonperiodic payments, withhold 10%. Backup withholding does not apply.

Enter the employee's contributions to a profit-sharing or retirement plan, designated Roth account contributions, or

**The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.**
addition, for the distribution of excess deferrals, excess contributions, or excess aggregate contributions, parts of the distribution may be taxable in 2 or 3 different years. File separate Forms 1099-R using Code B, D, or P to indicate the year the amount is taxable.

Even if the employee/taxpayer is age 59½ or over, use Code 1 if a series of substantially equal periodic payments was modified within 5 years of the date of the first payment (within the meaning of section 72(q)(3) or (1)(A)). For example, Mr. B began receiving payments that qualified for the exception for part of a series of substantially equal periodic payments under section 72(q)(1)(A)(iv) when he was 57. When he was 61, Mr. B substantially modified the payments. Because the payments were modified within 5 years, use Code 1 in the year the payments were modified, even though Mr. B is over 59½.


If part of an eligible rollover distribution is paid in a direct rollover and part is not, you must file a separate Form 1099-R for each part showing the appropriate code on each form. If part of a distribution is an eligible rollover distribution and part is not (for example, a minimum distribution required by section 401(a)(9)), and the part that is an eligible rollover distribution is directly rolled over, you must file a separate Form 1099-R to report each part.

Designated Roth accounts. Use Code B for a distribution from a designated Roth account unless the distribution is due to an IRS levy, under section 6331, in which case, use Code 2; or to an excess annual addition under section 415, in which case use Code E. For 2006, Code B may be combined with Codes 1, 2, 4, 8, G, and L, as appropriate.

Section 457(b) plan distributions. Generally, a distribution from a governmental section 457(b) plan is not subject to the 10% additional tax under section 72(t). However, an early distribution in a governmental section 457(b) plan on amount that is attributable to a rollover from another type of plan or IRA is subject to the additional tax as if the distribution were from a plan described in section 401(a). See section 72(t)(9). If the distribution consists solely of amounts that are not attributable to such a rollover, enter Code 2 in box 7. If the distribution consists solely of amounts attributable to such a rollover, then enter the appropriate code in box 7 as if the distribution were from a plan described in section 401(a). If the distribution is made up of amounts from both sources, you must file separate Forms 1099-R for each part of the distribution unless Code 2 would be entered on each form.

Box 8. Other
Enter the current actuarial value of an annuity contract that is part of a lump-sum distribution. Do not include this item in boxes 1 and 2a.

To determine the value of an annuity contract, show the value as an amount equal to the current actuarial value of the annuity contract, reduced by an amount equal to the excess of the employee’s contributions over the cash and other property (not including the annuity contract) distributed.

If an annuity contract is part of a multiplan lump-sum distribution, enter in box 8, along with the current actuarial value, the percentage of the total annuity contract each Form 1099-R represents.

Box 9a. Your Percentage of Total Distribution
If this is a total distribution and it is made to more than one person, enter the percentage received by the person whose name appears on Form 1099-R. You need not complete this box for any IRA distributions or for a direct rollover.

Box 9b. Total Employee Contributions
You are not required to enter the total employee contributions or designated Roth account contributions in box 9b. However, because this information may be helpful to the recipient, you may choose to report them.

If you choose to report the total employee contributions or designated Roth account contributions, do not include any amounts recovered tax free in prior years. For a total distribution, report the total employee contributions or designated Roth account contributions in box 5 rather than in box 9b.

Boxes 10–15. State and Local Information
These boxes and Copies 1 and 2 are provided for your convenience only and need not be completed for the IRS. Use the state and local information boxes to report distributions and taxes for up to two states or localities. Keep the information for each state or locality separated by the broken line. If state or local income tax has been withheld on this distribution, you may enter it in boxes 10 and 13, as appropriate. In box 11, enter the abbreviated name of the state and the payer’s state identification number. The state number is the payer’s identification number assigned by the individual state. In box 14, enter the name of the locality. In boxes 12 and 15, you may enter the amount of the state or local distribution. Copy 1 may be used to provide information to the state or local tax department. Copy 2 may be used as the recipient’s copy in filing a state or local income tax return.
### Guide to Distribution Codes

<table>
<thead>
<tr>
<th>Distribution Codes</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 — Early distribution, no known exception.</td>
<td>Use Code 1 only if the employee/taxpayer has not reached age 59 1/2, and you do not know if any of the exceptions under Distribution Code 2, 3, or 4 apply. Use Code 1 even if the distribution is made for medical expenses, health insurance premiums, qualified higher education expenses, a first-time home purchase, or a qualified reservist distribution under section 72(t)(2)(B), (D), (E), (F), or (G). Code 1 must also be used even if a taxpayer is 59 1/2 or older and he or she modifies a series of substantially equal periodic payments under section 72(q), (t), or (v) prior to the end of the 5-year period.</td>
</tr>
<tr>
<td>2 — Early distribution, exception applies.</td>
<td>Use Code 2 only if the employee/taxpayer has not reached age 59 1/2 and the distribution is: A Roth IRA conversion (an IRA converted to a Roth IRA). A distribution made from a qualified retirement plan or IRA because of an IRS levy under section 6331. A section 457(b) plan distribution that is not subject to the additional 10% tax. But see Section 457(b) plan distributions on page R-9 for information on distributions that may be subject to the 10% additional tax. A distribution from a qualified retirement plan after separation from service where the taxpayer has reached age 55. A distribution from a governmental defined benefit plan to a public safety employee after separation from service where the taxpayer has reached age 50. A distribution that is part of a series of substantially equal periodic payments as described in section 72(q), (t), or (v). Any other distribution subject to an exception under section 72(q), (t), or (v) that is not required to be reported using Code 1, 3, or 4.</td>
</tr>
<tr>
<td>3 — Disability.</td>
<td>For these purposes, see section 72(m)(7). None</td>
</tr>
<tr>
<td>4 — Death.</td>
<td>Use Code 4 regardless of the age of the employee/taxpayer to indicate payment to a decedent’s beneficiary, including an estate or trust. Also use it for death benefit payments made by an employer but not made as part of a pension, profit-sharing, or retirement plan.</td>
</tr>
<tr>
<td>5 — Prohibited transaction.</td>
<td>Use Code 5 if there was a prohibited (improper) use of the account. Code 5 means the account is no longer an IRA.</td>
</tr>
<tr>
<td>6 — Section 1035 exchange.</td>
<td>Use Code 6 to indicate the tax-free exchange of life insurance, annuity, or endorsement contracts under section 1035. None</td>
</tr>
<tr>
<td>7 — Normal distribution.</td>
<td>Use Code 7: (a) for a normal distribution from a plan, including a traditional IRA, if the employee/taxpayer is at least age 59 1/2, (b) for a Roth IRA conversion or reconversion if the participant is at least age 59 1/2, and (c) to report a distribution from a life insurance, annuity, or endorsement contract and for reporting income from a failed life insurance, annuity, or endowment contract under sections 7702(g) and (h). See Rev. Rul. 91-17, 1991-1 C.B. 180. Use Code 7 with Code A, if applicable. Generally, use Code 7 if no other code applies. Do not use Code 7 for a Roth IRA. Note: Code 1 must be used even if a taxpayer is 59 1/2 or older and he or she modifies a series of substantially equal periodic payments under section 72(q), (t), or (v) prior to the end of the 5-year period.</td>
</tr>
<tr>
<td>8 — Excess contributions plus earnings/ excess deferrals (and/or earnings) taxable in 2006.</td>
<td>Use Code 8 for an IRA distribution under section 408(d)(4), unless Code P applies. Also use this code for corrective distributions of excess deferrals, excess contributions, and excess aggregate contributions, unless Code D or P applies. See Corrective Distributions on page R-4 and IRA Revocation or Account Closure on page R-2 for more information.</td>
</tr>
<tr>
<td>9 — Cost of current life insurance protection.</td>
<td>Use Code 9 to report premiums paid by a trustee or custodian for current life or other insurance protection. See box 2a on page R-6 for more information. None</td>
</tr>
<tr>
<td>A — May be eligible for 10-year tax option.</td>
<td>Use Code A only for participants born before January 2, 1936, or their beneficiaries to indicate the distribution may be eligible for the 10-year tax option method of computing the tax on lump-sum distributions (on Form 4972, Tax on Lump-Sum Distributions). To determine whether the distribution may be eligible for the tax option, you need not consider whether the recipient used this method (or capital gain treatment) in the past. 4 or 7</td>
</tr>
<tr>
<td>B — Designated Roth account distribution.</td>
<td>Use Code B for a distribution from a designated Roth account that is not a qualified distribution. But use Code 2 for an IRS levy and Code E for a section 415 excess. 1, 2, 4, B, G, or L</td>
</tr>
<tr>
<td>D — Excess contributions plus earnings/ excess deferrals taxable in 2004.</td>
<td>See the explanation for Code 8. Generally, do not use Code D for an IRA distribution under section 408(d)(4) or 408(d)(5). 1, 2, or 4</td>
</tr>
<tr>
<td>E — Excess annual additions under section 415/certain excess amounts under section 483(b) plans.</td>
<td>See Excess Annual Additions Under Section 415 on page R-5. None</td>
</tr>
<tr>
<td>F — Charitable gift annuity.</td>
<td>See Charitable gift annuities on page R-6. None</td>
</tr>
</tbody>
</table>
### Guide to Distribution Codes

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<td><strong>G</strong> — Direct rollover and rollover contribution.</td>
<td>Use Code G for a direct rollover from a qualified plan (including a governmental section 457(b) plan) or 403(b) plan to an eligible retirement plan (another qualified plan, a 403(b) plan, or an IRA). See Direct Rollovers on page R-3. Also use Code G for certain distributions from conduit IRAs to an employer plan and IRA rollover contributions to an accepting employer plan. See Conduit IRAs on page R-2.</td>
<td>4 or B</td>
</tr>
<tr>
<td><strong>J</strong> — Early distribution from a Roth IRA.</td>
<td>Use Code J for a distribution from a Roth IRA when Code Q or Code T does not apply. But use Code 2 for an IRS levy and Code 5 for a prohibited transaction.</td>
<td>8 or P</td>
</tr>
<tr>
<td><strong>L</strong> — Loans treated as deemed distributions under section 72(p).</td>
<td>Do not use Code L to report a loan offset. See Loans Treated as Distributions on page R-5.</td>
<td>1, 4, or B</td>
</tr>
<tr>
<td><strong>N</strong> — Recharacterized IRA contribution made for 2006.</td>
<td>Use Code N for a recharacterization of an IRA contribution made for 2006 and recharacterized in 2006 to another type of IRA by a trustee-to-trustee transfer or with the same trustee.</td>
<td>None</td>
</tr>
<tr>
<td><strong>P</strong> — Excess contributions plus earnings/ excess deferrals taxable in 2005.</td>
<td>See the explanation for Code 8. The IRS suggests that anyone using Code P for the refund of an IRA contribution under section 408(d)(4), including excess Roth IRA contributions, advise payees, at the time the distribution is made, that the earnings are taxable in the year in which the contributions were made.</td>
<td>1, 2, 4, or J</td>
</tr>
<tr>
<td><strong>Q</strong> — Qualified distribution from a Roth IRA.</td>
<td>Use Code Q for a distribution from a Roth IRA if you know that the participant meets the 5-year holding period and:  • The participant has reached age 59 1/2, or  • The participant died, or  • The participant is disabled.  <strong>Note:</strong> If any other code, such as 8 or P, applies, use Code J.</td>
<td>None</td>
</tr>
<tr>
<td><strong>R</strong> — Recharacterized IRA contribution made for 2005.</td>
<td>Use Code R for a recharacterization of an IRA contribution made for 2005 and recharacterized in 2006 to another type of IRA by a trustee-to-trustee transfer or with the same trustee.</td>
<td>None</td>
</tr>
<tr>
<td><strong>S</strong> — Early distribution from a SIMPLE IRA in the first 2 years, no known exception.</td>
<td>Use Code S only if the distribution is from a SIMPLE IRA in the first 2 years, the employee/taxpayer has not reached age 59 1/2, and none of the exceptions under section 72(t) are known to apply when the distribution is made. The 2-year period begins on the day contributions are first deposited in the individual’s SIMPLE IRA. Do not use Code S if Code 3 or 4 applies.</td>
<td>None</td>
</tr>
<tr>
<td><strong>T</strong> — Roth IRA distribution, exception applies.</td>
<td>Use Code T for a distribution from a Roth IRA if you do not know if the 5-year holding period has been met but:  • The participant has reached age 59 1/2, or  • The participant died, or  • The participant is disabled.  <strong>Note:</strong> If any other code, such as 8 or P, applies, use Code J.</td>
<td>None</td>
</tr>
</tbody>
</table>

*See the Caution for box 7 instructions on page R-8.*
Specific Instructions for Form 5498

File Form 5498, IRA Contribution Information, with the IRS by May 31, 2007, for each person for whom in 2006 you maintained an individual retirement arrangement (IRA), including a defined IRA under section 408(q).

An IRA includes all investments under one IRA plan. It is not necessary to file a Form 5498 for each investment under one plan. For example, if a participant has three certificates of deposit (CDs) under one IRA plan, only one Form 5498 is required to report all contributions and the fair market values (FMVs) of the CDs under the plan. However, if a participant has established more than one IRA plan with the same trustee, a separate Form 5498 must be filed for each plan.

Contributions. You must report contributions to any IRA on Form 5498, IRA Contribution Information, under boxes 1, 2, 3, 4, 8, 9, and 10 on page R-13. If no reportable contributions were made for 2006, complete only boxes 5 and 7, and box 11 if applicable.

You are required to file Form 5498 even if RMDs or other payments have started.

Report contributions to a spousal IRA under section 219(c) on a separate Form 5498 using the name and taxpayer identification number (TIN) of the spouse.

For contributions made between January 1 and April 16, 2007, you must obtain the report of the designation of the year for which the contributions are made.

Direct rollovers, transfers, and recharacterizations. You must file Form 5498 even if you receive a direct rollover from a qualified plan (including a governmental section 457(b) plan) or 403(b) plan to an IRA. If a participant reports a direct rollover in box 2, for information on direct rollovers of eligible rollover distributions, see Direct Rollovers on page R-13.

If a rollover or trustee-to-trustee transfer is made from a SIMPLE IRA to an IRA that is not a SIMPLE IRA and the trustee has adequately substantiated information that the participant has not satisfied the 2-year period specified in section 72(t)(7), report the amount as a regular contribution in box 2. If the rollover amount exceeds $4,000, or participants 50 or older.

Do not report on Form 5498 a direct trustee-to-trustee transfer from (a) a traditional IRA to another traditional IRA or to a SEP IRA, (b) a SIMPLE IRA to another SIMPLE IRA, (c) a SEP IRA to another SEP IRA, or (d) a Roth IRA to a Roth IRA. For reporting purposes, contributions and rollovers do not include these transfers.

Recharacterizations. You must report each recharacterized contribution as an IRA contribution. If a participant makes a contribution to an IRA (first IRA) for a year, the participant may choose to recharacterize the contribution by transferring, in a direct rollover, the amount contributed before the recharacterization as a contribution on Form 5498 and as a recharacterization as a distribution on Form 5098-R. The trustee of the second IRA must report the amount received (FMV) in box 4 on Form 5498 and check box 10 on IRA box in box 1.

All recharacterized contributions received by an IRA in the same year must be totaled and reported on one Form 5498 in box 4. You may report the FMV of the account on the same reporting date as the distribution was made to the second IRA (recharacterization). A recharacterization in the year of the distribution as the IRA for the year.

Catch-up contributions. Participants, who are age 50 or older by the end of the year, may be eligible to make catch-up IRA contributions or catch-up elective deferral contributions. The annual IRA regular contribution limit of $4,000 is increased to $5,000 for participants 50 or older. Catch-up elective deferral contributions reported on Form 5498 may be made under a salary reduction SEP (SARSEP) or under a SIMPLE IRA plan. For more information on catch-up elective deferral contributions, see Regulations section 1.414(v).

Include any catch-up amounts when reporting contributions for the year in boxes 1, 8, 9, or 10.

Roth IRA conversions. You must report the receipt of a conversion from an IRA to a Roth IRA even if the conversion is with the same trustee. Report the total amount converted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA in box 3.

IRA revocation or account closure. If a traditional IRA, Roth IRA, or SIMPLE IRA is revoked during its first 7 days (under Regulations section 1.408(b)-5(d)(4)(i)) or closed at any time by the IRA trustee pursuant to its resignation or such other event mandating the closure of the account, Form 5498 must be filed to report any regular, rollover, IRA conversion, SEP IRA, or SIMPLE IRA contributions to the IRA. For information about reporting a distribution from a revoked or closed IRA, see IRA Revocation or Account Closure on page R-2.

Total distribution, no contributions. Generally, if a total distribution was reported on an account during the year and no contributions, including rollovers, recharacterizations, or Roth IRA conversion amounts, were made for that year, you need not file Form 5498 nor furnish the annual statement to reflect that the FMV on December 31 was zero.

Required minimum distributions (RMDs). An IRA (other than a Roth IRA) owner/participant must begin taking distributions for each calendar year beginning with the calendar year in which the participant attains age 70½. The distribution available for the 70½ year must be made no later than April 1 of the following calendar year: RMDs for any other year must be made no later than December 31 of that year. See Regulations section 1.401(a)(9)-6 for RMDs from annuity contracts. If an IRA participant dies, the surviving spouse may be eligible to make catch-up IRA contributions or catch-up elective deferral contributions. The amount may be calculated assuming the sole beneficiary of the IRA is a spouse more than 10 years younger than the participant. Use the value of the account as of December 31 of the prior year to compute the amount. See box 11 on page R-14 for how to report.

Alternative one. Under this method, include in the statement the amount of the RMD with respect to the IRA for the calendar year and the date by which the distribution must be made. You must include an offer to the participant that a minimum distribution with respect to the IRA is required for the calendar year and the date by which such amount must be distributed. You must include an offer to furnish the participant with a calculation of the amount of the RMD if requested by the participant.

Electronic filing. These statements may be furnished electronically using the procedures described in part F of the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Reporting to the IRS. If an RMD is required, check box 11. See page R-14. For example, box 11 is checked on the Form 5498 for a 2007 RMD. You are not required to report to the IRS the amount or the date by which the distribution must be made.


Inherited IRAs. In the year an IRA participant dies, you, as an IRA trustee or issuer, generally must file a Form 5498 and furnish an annual statement to each inherited IRA beneficiary. You must file a Form 5498 and an annual statement for each nonspouse beneficiary. An IRA holder must be able to identify the source of each IRA to the IRS. For more information on the annual statement of amounts distributed from an IRA, see the decedent’s name must be shown on the beneficiary designation form. If the annual statement of amounts distributed from a nonspouse beneficiary, you may enter “Brian Willow as beneficiary of Joan Maple” or something similar that signifies that the IRA was once owned by Joan Maple. You may abbreviate the word "beneficiary" as, for example, "bene."
For a spouse beneficiary, unless the spouse makes the IRA his or her own by making contributions to the account, including a rollover contribution, of by not taking distributions required by section 401(a)(9)(B), treat the spouse as a nonspouse beneficiary for reporting purposes. If the makes the IRA his or her own, do not report the beneficiary designation on Form 5498 and the annual statement.

Fair market value. On the decedent’s Form 5498 and annual statement, you must enter the FMV of the IRA on the date of death in box 5. Or you may choose the alternate reporting method and report the FMV as of the end of the year in which the decedent died. This alternate value will usually be zero because you will be reporting the end-year valuation on the beneficiary’s Form 5498 and annual statement. The same figure should not be shown on both the beneficiary’s and decedent’s forms. If you choose to report using the alternate method, you must inform the executor or administrator of the decedent’s estate of his or her right to request a date-of-death valuation.

If the beneficiary’s Form 5498 and annual statement, the FMV of that beneficiary’s share of the IRA as of the end of the year must be shown in box 5. Every year thereafter that the IRA exists, you must furnish another statement to the beneficiary for reporting purposes. If the spouse makes the IRA his or her own, do not report the beneficiary designation on Form 5498 and the annual statement.

Gross contributions. Gross contributions include contributions, including the amount on Form 5498, for either or both years, treated as includible compensation for purposes of section 219. For example, a rollover contribution made in a subsequent year, do not report it on Form 5498 for the subsequent year. It has already been reported as a contribution in a previous year.

Enduring Freedom. A participant who is serving in support of the Armed Forces in a designated combat zone or qualified hazardous duty area has an additional period after the normal contribution due date of April 15th to make IRA contributions for a prior year. The period is the time the participant was in the designated combat zone or area plus at least 180 days. The participant must designate the IRA contribution for a prior year to claim it as a deduction on the income tax return.

For a $4,000 IRA contribution designated for a participant who is serving in support of the Armed Forces in a designated combat zone or qualified hazardous duty area, you must enter $4,000 as the total fair market value (FMV) of the account on Form 5498 and the annual statement. Enter contributions to a traditional IRA made in 2006 and 2007 in box 6. If a qualifying combat zone participant makes a contribution after April 15th and designates the contribution for a prior year, you must report the type of contribution (box 7) and the amount on Form 5498. Report the amount either for (1) the year for which the contribution was made or (2) a prior year, the statement of the FMV of the account must include a legend designating which information is being furnished on the decedent’s Form 5498 and annual statement.

If you do not furnish another statement to the participant because no reportable contributions were made for the year, the statement of the FMV of the account must contain a legend designating which information is being furnished to the Internal Revenue Service.

Account Number. The account number is required if you have multiple accounts. Enter the account number in box 1. If you have no knowledge of the death of an IRA participant, you may provide alternative statements to the participant. In this event, you must inform the executor or administrator of the decedent’s forms. If you choose to report using the alternate method, you have received the waiver, you may report all Forms 5498 for combat zone participants by submitting Form 8508, Request for Waiver From Filing Information Returns Electronically/Magnetically. Once you have received the waiver, you may report all Forms 5498 for combat zone participants on paper. Alternatively, you may file contributions made by the normal contribution due date magnetically or electronically and report the contributions made after the normal contribution due date on paper. You may also report prior year contributions by combining box 5, FMV of the IRA as a deduction on the income tax return. However, you must file Form 5498 with the IRS by May 31, 2007, to report the December 31, 2006, value of the participant’s account. Box 10 contains information about qualified IRA rollovers. If an excess contribution is treated as a contribution in a subsequent year, do not report it on Form 5498 for the subsequent year. It has already been reported as a contribution in a previous year.
Also, do not include in box 1 contributions to a SIMPLE IRA (report them in box 9) and a Roth IRA (report them in box 10). In addition, do not include in box 1 rollovers and recharacterizations (report rollovers in box 2 and recharacterizations in box 4), or a Roth IRA conversion amount (report in box 3).

**Box 2. Rollover Contributions**

Enter any rollover contributions to any IRA received by you during 2006. Include a direct rollover from a qualified plan (including a governmental section 457(b) plan) or 403(b) plan to an IRA. For the rollover of property, enter the FMV of the property on the date you receive it. This value may be different from the value of the property on the date it was distributed to the participant.

**Box 3. Roth IRA Conversion Amount**

Enter the amount converted or reconverted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA during 2006. Do not include a rollover from one Roth IRA to another Roth IRA. Include a rollover in box 2.

**Box 4. Recharacterized Contributions**

Enter any amounts recharacterized plus earnings from one type of IRA to another.

**Box 5. Fair Market Value of Account**

Enter the FMV of the account on December 31. For inherited IRAs, see Inherited IRAs on page R-12.

**Box 6. Life Insurance Cost Included in Box 1**

For endowment contracts only, enter the amount included in box 1 allocable to the cost of life insurance.

**Box 7. Checkboxes**

Check the appropriate box.

**IRA. Check “IRA” if you are filing Form 5498 to report information about a traditional IRA account.**

**SEP. Check “SEP” if you are filing Form 5498 to report information about a SEP IRA.** If you do not know whether the account is a SEP IRA, check the “IRA” box.

**SIMPLE. Check “SIMPLE” if you are filing Form 5498 to report information about a SIMPLE IRA account. Do not check this box for a SIMPLE 401(k) plan. See section 408(p).**

**Roth IRA. Check “Roth IRA” if you are filing Form 5498 to report information about a Roth IRA account.**

**Box 8. SEP Contributions**

Enter employer contributions made to a SEP IRA (including salary deferrals under a SARSEP) during 2006 including contributions made in 2006 for 2005, but not including contributions made in 2007 for 2006. Do not enter employee contributions to an IRA under a SEP plan. Report any employee contributions to an IRA under a SEP plan in box 1. Also include in box 8 SEP contributions made by a self-employed person to his or her own account.

**Box 9. SIMPLE Contributions**

Enter any contributions made to a SIMPLE IRA during 2006. Do not include contributions to a SIMPLE 401(k) plan. Enter any contributions made to a Roth IRA in 2006 through April 16, 2007, designated for 2006. However, report Roth IRA conversion amounts in box 3.

**Box 10. Roth IRA Contributions**

Enter any contributions made to a Roth IRA in 2006 and through April 16, 2007, designated for 2006. However, report Roth IRA conversion amounts in box 3.

**Box 11. Check if RMD for 2007**

Check the box if the participant must take a required minimum distribution (RMD) for 2007. You are required to check the box for the year in which the IRA participant reaches age 70½ even though the RMD for that year need not be made until April 1 of the following year. Then check the box for each subsequent year an RMD is required to be made.

On Form 5498, or in a separate statement, report the information required by Alternative one or Alternative two. See page R-12. To determine the RMD, see the regulations under sections 401(a)(9) and 408(a)(6) and (b)(3). If you use Form 5498 to report the additional information under Alternative one, enter the amount and date in the blank box to the left of box 10 on the form.
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Index

A
Account closure, IRA .............. 2, 12
Alternate payee under QDRO ........... 6
Annuity distributions .................. 1-9
Automatic rollovers ................... 3, 4

B
Beneficiaries ......................... 5

C
Charitable gift annuities ............. 6
Combat zones, designated ........... 13
Conduit IRAs .......................... 2
Corrected Form 1099-R ........... 5
Corrected Form 5498 .............. 13
Corrective distributions ............. 4
Cost of current life insurance protection ...... 6

D
Death benefit payments .............. 6
DECs .................................. 2
Deemed IRAs .......................... 2
Designated Roth account, direct rollover .................. 3
Designated Roth account, distributions ............. 2
Direct rollovers ....................... 3, 6, 7, 8, 12, 14
Disclaimer of an IRA .................. 5

E
Eligible rollover distribution ........ 3, 8
Employee contributions, retirement plan .................. 8, 9
Employer securities, distributions ........ 5, 6, 7, 8
Endowment contracts 2, 14
Excess annual additions ............... 5
Excess deferrals, excess contributions, corrective distributions of .......... 4

F
Failing ADP or ACP test, corrections .................. 5
Federal income tax withholding ........... 7
Form 1099-R ................................ 1
Form 5498 .................................. 12
Form 945 .................................... 7

G

H
Inherited IRAs ......................... 12, 14
Insurance contracts ...................... 1, 8
Involuntary distributions ............. 3, 4
IRA contributions ...................... 12
IRA distributions ....................... 1, 2, 9
IRA recharacterizations 2, 4, 6, 8, 12, 13
IRA revocation ......................... 2, 12

I
Life insurance contract distributions .... 2
Loans treated as distributions ........... 3, 5
Losses, retirement distributions ........ 4, 7

M
Military retirement ..................... 1
Missing retirement plan participants .... 5

N
Net unrealized appreciation .............. 3, 7, 8
Nonperiodic distributions .............. 7
Nonqualified plan distributions ....... 1
Nonresident aliens ..................... 6

P
Pension distributions .................. 1-9
Periodic payments ........................ 7
Profit-sharing distributions ........... 1-9

Q
QDRO .................................. 3, 4, 6
Qualified plan distributions ............. 1-9

R
Recharacterized IRA contributions .... 4, 6, 8, 12
Required minimum distribution ....... 12, 14
Retirement payments .................. 1-9
Revocation, IRA ....................... 2, 12
RMD ..................................... 12, 14
Rollovers 3, 4, 5, 6, 7, 8, 12, 13, 14
Roth IRA contributions ............... 12, 14
Roth IRA conversions 2, 4, 7, 8, 12, 13, 14
Roth IRA distributions ................. 2, 7, 8

S
Section 1035 exchange ................. 2, 4, 6
Section 402(f) notice .................... 3
SEP contributions ...................... 2, 6, 12, 13, 14
SEP distributions ....................... 2, 6, 8
SIMPLE contributions .................. 12, 14
SIMPLE distributions ................... 2, 4, 7, 8
State and local information .......... 9
 Statements to recipients/participants ........ 6, 13

T
Taxable amount, retirement distributions ........... 6
Transfers:
Form 1099-R ......................... 4
Form 5498 ............................. 12

U
U.S. Armed Forces, special reporting .................. 13

W
What’s new ................................ 1
Withholding:
Federal income tax ................... 7